

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)
)
Qwest Tariff F.C.C. No. 1) Transmittal No. 134

REPLY TO PETITION TO SUSPEND OR REJECT

Sharon J. Devine
Blair A. Rosenthal
Suite 700
1020 19th Street, N.W.
Washington, DC 20036
(303) 672-2974

Attorneys for

QWEST CORPORATION

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TABLE OF CONTENTS

	<u>Page</u>
SUMMARY	ii
I. INTRODUCTION.....	1
II. NUMBER POOLING, THOUGH SIMILAR, IS QUITE DIFFERENT FROM NUMBER PORTABILITY	3
III. THE FACT THAT QWEST’S NUMBER POOLING COSTS DIFFER FROM THOSE OF OTHER LOCAL EXCHANGE CARRIERS DOES NOT PROVIDE A LAWFUL RATIONALE FOR DISALLOWING THESE COSTS.....	5
IV. QWEST’S SWITCHING, NETWORK SUPPORT AND OSS COSTS WOULD NOT HAVE BEEN INCURRED “BUT FOR” NUMBER POOLING	7
A. Switching Costs	7
B. Additional Database Capacity	10
C. Network Support Costs	12
D. OSS Costs.....	15
V. CONTRARY TO AT&T’S ASSERTIONS, QWEST HAS PROPERLY ACCOUNTED FOR ALL NUMBER POOLING COST SAVINGS IN CALCULATING ITS EXOGENOUS COST ADJUSTMENT	17
VI. QWEST’S INCLUSION OF EXOGENOUS COST RECOVERY UNTIL AUGUST 2002 NEITHER VIOLATES THE COMMISSION’S TARIFF RULES NOR ITS NUMBER POOLING ORDERS.....	18
VII. CONCLUSION	20

SUMMARY

In this Reply, Qwest responds to AT&T's Petition to Suspend or Reject Transmittal No. 134. This Transmittal contains an exogenous cost adjustment to recover Qwest's extraordinary cost of implementing thousands-block-number pooling. In opposing Transmittal No. 134, AT&T advocates that the Commission adopt an implausibly narrow reading of its three-pronged cost eligibility test in order to disallow even more costs than were incurred solely "for the provision of" thousands-block number pooling. AT&T's unreasonable interpretation of the Commission's cost eligibility test neither comports with the Commission's *Numbering Resource Optimization Orders* nor the 1996 Act and should be rejected by the Commission.

Contrary to AT&T's protestations, Qwest's exogenous cost adjustment complies with the Commission's three-pronged cost eligibility test and had been reduced by the costs savings of delaying NPA relief during the cost recovery period. Except for the inclusion of some switched generic costs, all thousands-block-number pooling costs included in this Transmittal No. 134 would not have been incurred "but for" thousands-block-number pooling and were incurred "for the provision of" thousands-block-number pooling. As such, the Commission should allow Transmittal No. 134 to take effect as scheduled.

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Qwest Corporation (“Qwest”) hereby files its Reply to the Petition to Suspend or Reject (“PTR”) filed July 29, 2002, by AT&T Corp. (“AT&T”) against Transmittal No. 134, Qwest’s thousands-block number pooling (“TBNP”) tariff, filed in accordance with the Federal Communications Commission’s (“Commission”) *Third Report and Order*.¹ Clearly, AT&T’s opposition is driven by its strong desire to hold Qwest’s access charge rates to the lowest possible level. While this motivation on the part of an interexchange carrier (“IXC”) is understandable, it is not an excuse for disallowing *bona fide* number pooling costs.

I. **INTRODUCTION**

Qwest filed Tariff Transmittal No. 134 on July 22, 2002. Pursuant to the Commission’s *Third Report and Order*,² Qwest seeks to recover the extraordinary costs associated with its implementation of number pooling through an exogenous cost adjustment to its interstate access charge rates, over a two-year period. In preparing Transmittal No. 134, Qwest re-examined the

¹ *In the Matter of Numbering Resource Optimization, Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, Telephone Number Portability, Third Report and Order and Second Order on Reconsideration in CC Docket No. 96-98 and CC Docket No. 99-200*, 17 FCC Rcd. 252, 272-73 ¶ 41 (2001) (“*Third Report and Order*”), appeal pending sub nom., *Qwest Corporation v. FCC*, No. 02-1127 (D.C. Cir. Apr. 15, 2002).

² The Commission required carriers to begin implementing number pooling in the top 100 Metropolitan Statistical Areas (“MSA”) beginning on March 15, 2002, and has allowed price cap carriers to recover extraordinary number pooling costs over a two-year period beginning April 2, 2002. *See id.*

number pooling costs contained in its prior tariff transmittal, Transmittal No. 120, which was subsequently withdrawn.³ In order to minimize disputes and ensure that Transmittal No. 134 goes into effect at the earliest possible date, Qwest significantly lowered the amount of number pooling costs that it seeks to recover through an exogenous cost adjustment. Despite Qwest's proposed adjustments, AT&T still contends that Qwest has failed to demonstrate that many of its remaining number pooling costs are eligible for recovery. Qwest disagrees. As Qwest explains below, it believes that it has met its burden of proof and that its number pooling costs satisfy the Commission's cost recovery standards.

AT&T's attacks on Transmittal No. 134 can be summarized as follows:

- Qwest has failed to explain why its number pooling costs are higher than those of other Regional Bell Operating Companies ("RBOC") and AT&T itself.⁴
- Qwest has inappropriately included many local number portability ("LNP") costs in Transmittal No. 134.⁵
- Qwest has over-stated the switching costs associated with implementing number pooling.⁶
- Qwest's network support costs are exorbitant.⁷
- Qwest's Operation Support System ("OSS") costs are not the result of implementing number pooling.⁸
- Qwest has understated its cost savings from number pooling.⁹

³ See letter dated July 3, 2002 Transmittal No. 132, withdrawing Transmittal No. 120.

⁴ AT&T PTR at 3.

⁵ *Id.* at 4, 8.

⁶ *Id.* at 2-4.

⁷ *Id.* at 4-8.

⁸ *Id.* at 8-10.

⁹ *Id.* at 11-12.

- Qwest has included costs that were incurred prior to the adoption of the number pooling mandate.¹⁰
- Qwest is attempting to recover costs beyond the two-year period authorized by the Commission.¹¹

In pressing its case that Qwest has failed to meet its burden, AT&T continues to claim that many number pooling costs that satisfy the Commission's three-part cost recovery test are number portability and numbering administration costs -- rather than number pooling costs. By confusing these types of costs, AT&T hopes to convince the Commission to disallow many costs that would not have been incurred "but for" number pooling. Therefore, before responding to AT&T's self-serving allegations, Qwest explains how number pooling differs from number portability. Qwest also notes that with respect to AT&T's concern that Qwest is attempting to recover costs beyond the two-year period, Qwest is seeking to revise its filing to only recover costs through March, 2004, and thereby eliminate this concern.

II. NUMBER POOLING, THOUGH SIMILAR, IS QUITE DIFFERENT FROM NUMBER PORTABILITY

There is no doubt that the fundamental carrier infrastructure associated with LNP is a portion of the foundation for TBNP. As the Commission has observed, number pooling requires as a prerequisite a carrier's deployment of location routing number ("LRN") LNP.¹²

However, TBNP adds complexities to the carrier infrastructure that are not present with "simple" LNP. LNP is individual-customer driven, involving a ported number to accommodate a

¹⁰ *Id.* at 11-12

¹¹ *Id.* at 12.

¹² *In the Matter of Numbering Resource Optimization, Report and Order and Further Notice of Proposed Rule Making*, 15 FCC Rcd. 7574, 7622 ¶ 117, 7650-51 ¶ 168 (2000) (calling LNP a "pre-pooling activit[y]") ("*Report and Order*").

specific subscriber or number(s).¹³ TBNP by its nature involves the movement of one-thousand numbers at a time, numbers that -- for the most part -- are “unassigned” to a specific customer either when they are donated or received.¹⁴ This results in the “porting of a large volume of thousands blocks” of numbers.¹⁵ These differences in type of ported numbers and the scale of porting led the Commission to the correct observation that “[TBNP] requires carriers to modify significantly the manner in which they account for their inventory of telephone numbers, including changing their Operations Support Systems (OSSs) and retraining their staff.”¹⁶

In crafting the implementation timeframe for number pooling, the Commission observed TBNP “is dependent on a number of variables, including the extent of LNP deployment, the provisioning method chosen, compatibility of service providers, operational support systems, . . . the need for enhancements to switches, SCPs, and other service provider systems, and availability of necessary hardware and software changes from vendors.”¹⁷ It also acknowledged that there were “technical tasks required to implement [TBNP], which include the selection of a pooling deployment method, development and deployment of enhancements to the [Number Portability Administration Center] NPAC [Service Management System] SMS to accommodate

¹³ *Id.* at 7622 n.238. *And see id.* at 7654 ¶ 175 (“When an *individual* telephone number is ported, a record associating the ported number with the LRN of the appropriate service provider’s switch is created and stored in the former carrier’s LNP [service control point] SCP database, via downloads from the local Service Management System (SMS). Any service provider routing a call to the ported number would do so by querying the database to determine the LRN that corresponds to the dialed telephone number, and routing the call to the switch identified by that LRN.”) (Emphasis added, footnote omitted).

¹⁴ *Id.* at 7650-51 ¶ 168, 7654-55 ¶ 176. Donated “contaminated number blocks” do include some assigned numbers that must be ported back to the donator carrier. *See id.* at 7643-44 ¶ 156, 7661-62 ¶ 190.

¹⁵ *Id.* at 7657 ¶ 182.

¹⁶ *Id.*

pooling, development of switch requirements, and system testing.”¹⁸ “[T]he tasks that service providers, together with equipment vendors, must accomplish to achieve [TBNP] . . . include modifications to service provider [local Service Management Systems] LSMS and SCPs, enhancements to Service Order Administration systems (SOAs) and operations support systems; enhancements to switches, and subsequent testing.”¹⁹ Indeed, the Commission specifically provided for a staggered number pooling roll out in order to “provide carriers time to upgrade or replace their SCPs and other components of their network, as necessary, if the increased volume of ported numbers as a result of pooling requires them to do so.”²⁰

Thus, the fact that a carrier might have to do *similar* tasks or functions with respect to a number affected by LNP and one affected by TBNP does not mean that there are not additional (and sometimes different) tasks *and costs* associated with the latter that are not required for the former. In Transmittal No. 134, Qwest seeks to recover only the incremental costs associated with deploying number pooling within its service area.

III. THE FACT THAT QWEST’S NUMBER POOLING COSTS DIFFER FROM THOSE OF OTHER LOCAL EXCHANGE CARRIERS DOES NOT PROVIDE A LAWFUL RATIONALE FOR DISALLOWING THESE COSTS

AT&T asserts that Qwest has failed to explain the differences between its number pooling costs and those of other carriers, including incumbent local exchange carriers’ (“LEC”) and AT&T’s own costs.²¹ Regardless of whether the number pooling costs that Qwest is seeking to recover exceed those of other LECs, neither the Communications Act nor the Commission’s

¹⁷ *Id.* at 7649-50 ¶ 167.

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Id.* at 7645-46 ¶ 159.

²¹ *See* AT&T PTR at 3-4.

rules require an incumbent LEC to explain why its rates may differ from the rates of another LEC providing service under different circumstances in a different geographic area. Notwithstanding this fact, Qwest will respond briefly to the question of cost comparability.

First, the Commission should give no weight to AT&T's assertions that Qwest's number pooling costs are unreasonable because they exceed the costs that AT&T has incurred in implementing number pooling. Not only are AT&T's comments self-serving, they are unsupported.²² Furthermore, even if AT&T's costs could be documented, comparing the number pooling costs of a large IXC with those of a large incumbent LEC is the equivalent of comparing apples and oranges -- given the differences in the number and types of switches, end-user customers, NXXs, contamination levels of thousands blocks, and other characteristics.

As to other incumbent LECs, Qwest maintains that each incumbent LEC is different; accordingly, their costs will be different. While Qwest only has had the opportunity to conduct a cursory review of the cost support underlying the tariff filings of other incumbent LECs, this material contains nothing that would cause Qwest to revise Transmittal No. 134. If anything, the various incumbent LEC rates and costs clearly demonstrate that these incumbent LECs differ -- in terms of their networks, their markets, and their approaches to satisfying number pooling requirements. This in no way implies that costs or rates of any given incumbent LEC are unreasonable or unlawful.

²² Under the Commission's rules, AT&T is free to recover its number pooling costs anyway it chooses to do so. As such, AT&T is not required to provide a comprehensive review of the costs that it has incurred in implementing number pooling. It is impossible to determine whether the costs/manpower that AT&T claims to have devoted to a certain function are reasonable or representative of the costs actually incurred. Also, without disclosure of all number pooling implementation costs, it is difficult, if not impossible, to determine when a carrier has made trade-offs between cost categories (*e.g.*, between manual operations and mechanized operations) and the impact of these trade-offs.

Clearly, one of the reasons why Qwest's number pooling costs differ from those of other incumbent LECs is due to its mix of switches. Nowhere in the Commission's orders is there a threshold requirement that a LEC assume that all switches are digital or that only Lucent and Nortel switches are to be considered in calculating number pooling costs. The point is -- a LEC's number pooling costs depend upon its current network architecture, not the architecture that might have existed today if the LEC had made different procurement decisions five or ten years ago. Qwest is entitled to recover in its access charge tariffs all costs that satisfy the Commission's cost recovery standards regardless of whether Qwest's network is perceived as more or less "advanced" than other carriers or whether its number pooling costs are higher or lower than those of other carriers.

IV. QWEST'S SWITCHING, NETWORK SUPPORT AND OSS COSTS WOULD NOT HAVE BEEN INCURRED "BUT FOR" NUMBER POOLING

A. Switching Costs

AT&T asserts that Qwest has improperly included the modifications to its AXE-10 switches. AT&T contends that Qwest's "failure to modernize its network unfairly shifts costs to [AT&T]."²³ This is not true. As Qwest stated in its Direct Case on Transmittal No. 120, and which AT&T never actually rebuts, the AXE-10 switches are quite adequate with respect to Qwest's provision of telecommunications services, both now and in the foreseeable future, in the markets they serve.²⁴ There is no evidence presented by AT&T or anyone else to support the assumption, let alone a conclusion, that these switches are obsolete and should have been previously replaced by Qwest.²⁵

²³ AT&T PTR at 3.

²⁴ See Direct Case, WCB Docket No. 02-117, filed June 20, 2002 at 6.

²⁵ The subject switches do not serve high growth areas.

There are 72 AXE-10 switches in areas where number pooling is being implemented. With respect to the specific feature functionality that Qwest purchased in order to support these switches for number pooling, there is no question but that it would not have been purchased in the absence of a regulatory mandate to deploy TBNP. Within the context of that mandate, Qwest purchased the AXE-10 generics and features on a “buy-out” basis, which as AT&T acknowledges usually allows a carrier to negotiate a lower price for switch software.²⁶ Even though Qwest has used the AXE-10 generic upgrades only to provision number pooling, Qwest has included only one-third of the cost of these generics in Transmittal No. 134.²⁷

On pages 3 and 4 of its Petition to Reject, AT&T hints that Qwest included charges for all of the AXE-10s and not just those that were involved with number pooling. Again, not true. Qwest included only those costs in Transmittal No. 134 associated with switches in areas where number pooling is being implemented.

AT&T continues to argue that Qwest has not justified its request to recover the costs of switch upgrades that assist with number groupings (“those native to a switch, those ported to a switch, and those pooled to a switch”) on the grounds that this functionality is necessary even in

²⁶ AT&T PTR at 3-4.

²⁷ As Qwest noted in the Description and Justification to Transmittal No. 134, Unique LRN is currently supported by generic AS311.0. However, unlike TBNP and CALEA, Unique LRN functionality was not included in the initial purchase and release of the generic. Rather, Unique LRN is an “add-on” that was purchased by Qwest subsequent to the release of the generic. (Qwest is not aware of any functionality provided by generic AS311.0 that was required by Unique LRN that was not supported by the previous generic.) However, in an effort to move the tariff process forward, Qwest assigns one-third of the initial generic cost to the provision of Unique LRN functionality. (*See* Description and Justification at 10.)

the absence of TBNP.²⁸ While issues associated with grouping numbers may exist in an LNP environment, there is a particular manifestation of the problem associated with number pooling.

In an LNP environment, there can be two types of numbers residing within a local end-office switch, *i.e.*, “native or resident” numbers and “non-native ported in” numbers. The ported-in numbers occur when an end user chooses to move his/her local service to another local switch within the same rate center. The receiving local switch allows the non-native number to be placed in its translations. The LNP software in the Ericsson AXE-10 contained logic that telephone numbers assigned to incoming LNP customers would always be “non-native.” While this logic is correct for LNP it is absolutely incorrect when it comes to TBNP and the handling of “contaminated blocks.” Local service providers within the pooling area are required to donate clean and lightly contaminated thousands-blocks (*i.e.*, no more than 100 working numbers) to the pool administrator. Pooling requirements specify that, prior to donating a contaminated number block to the pool, the contaminated (*i.e.*, working) numbers must first be “ported back” into their native switch. This creates a porting-in of “native numbers,” something not done in an LNP environment and something at odds with the Ericsson LNP software intelligence. Qwest’s attempts to pool-in these native numbers to the AXE-10 switch resulted in the customers being unable to receive any incoming calls from anywhere outside of the AXE-10 switch. In order to resolve this problem, Qwest worked with Ericsson and developed a new pooling feature that allows native numbers to be “pooled into” their native Ericsson switch. Clearly, “but for” number pooling this work would not have been done.

²⁸ AT&T PTR at 4.

Even though AT&T conceded in its Opposition to Qwest's Direct Case for Transmittal No. 120 that "pooling drives the portion of the upgrade addressing the T1S1.6 requirements,"²⁹ AT&T continues to assert that Qwest should remove a portion of the DMS features that allow for grouping native, ported, and pooled numbers in the same grouping arrangement. Qwest disagrees with AT&T's assertion. This functionality permits the pooled thousands-block to appear to the switch as if it is "native" to the switch, even though it is really a "non-native" block.³⁰ This feature is different from single-number LNP functionality in that it permits the receiving switch to permanently retain the telephone numbers within the block so that they do not "snap back," or return to, their native switch when service is disconnected. In single-number LNP, the number would "snap-back" to its native switch.

Moreover, LNP technology has already been implemented throughout the vast majority of Qwest's network. The TBNP software is a pooling-specific solution developed by the vendor to bring DMS switches into compliance with number pooling standards. Costs associated with this compliance clearly meet the "but for" test for recovery since they are necessary for the provision of service in a number pooling environment.

B. Additional Database Capacity

AT&T also challenges Qwest's recovery of costs associated with expanding hardware capacity to accommodate the storage of more records in its SCPs. AT&T argues that Qwest has failed to demonstrate why it believes TBNP will increase query volume.³¹ Qwest incurred costs in preparing to store records associated with the entire population of pooled numbers in the

²⁹ AT&T Corp. Opposition to Direct Case, WCB Docket No. 02-117, filed June 24, 2002 at 8.

³⁰ The switch which donated the thousands-block is considered the blocks native switch since this is where the NXX was initially assigned.

³¹ AT&T PTR at 4.

pooling area through expansion of its existing databases to handle the additional records. This is a new cost that would not have been incurred “but for” the provision of number pooling.

AT&T asserts that Qwest’s implementation of Efficient Data Representation (“EDR”) undercuts our cost-recovery arguments with regard to database expansions.³² Qwest disagrees. EDR is a functionality that the Commission declined to mandate but which it promoted as allowing more efficient storage of number pooling information.³³ In March of 2002, EDR became available in Qwest’s NPAC region. Qwest purchased the functionality in May of this year. Prior to implementing EDR, a single thousands-block required the storage of a thousand individual records and Qwest did not know how many thousand-blocks information it would be required to store for number pooling purposes. In order to accommodate the additional storage requirements, Qwest increased its database capacity. These costs would not have been incurred “but for” number pooling.

³² AT&T PTR at 4.

³³ See reference in the Commission’s *Report and Order*, 15 FCC Rcd. at 7650-51 ¶ 168 and n.402, of a NeuStar announcement of “the activation in July 2000 of LNP software that will facilitate the transfer of large ranges of numbers as a single message through a data formatting method known as Efficient Data Representation (EDR).” (Emphasis added.) The Commission *expressly* declined to “endorse the adoption of this particular software at [that] time” but noted that the development was “significant because it will reduce the strain on the network from the large volume of porting that is likely to occur once [TBNP] is implemented nationally.” *Id.* at ¶ 168; and at 7654-55 ¶ 176 (in a number pooling environment, “the entire population of pooled numbers in the pooling area, and associated LRNs, must be stored in all of the LNP SCP databases that service providers use to store LRN information for numbers ported from their networks.”); at 7655 ¶ 177 (noting that EDR was “expected to significantly extend a carrier’s SCP capacity for [TBNP]”); at 7657 ¶ 182 noting that “the inclusion of EDR in the pooling software used for [TBNP] is critical for a nationwide pooling architecture”) and *id.* (while not endorsing the EDR NPAC 3.0 software *per se*, the “EDR feature is significant because it will reduce the strain on the network from the large volume of number porting that is likely to occur once [TBNP] is implemented.”).

Prospectively, EDR functionality will minimize the number of records stored in the database. However, even with EDR there will be an overall increase in stored records as a result of pooling. EDR minimizes number pooling storage requirements by allowing a thousand records to appear as one. But this does not change the simple fact that number pooling is causing an increase in the number of records that must be stored.

C. Network Support Costs

AT&T generally asserts that Qwest has manipulated its cost justifications for network support costs in an attempt to bring plainly ineligible costs within the Commission's criteria, and argues that the Commission should reject the entire \$2.7 million Qwest seeks under this category.³⁴ AT&T is simply wrong that Qwest has attempted to include ineligible costs, and the Commission should allow these network staffing costs.

First, as part of Reference Number 30 in Transmittal No. 134, Qwest revised its description of this function to more accurately depict this group's primary number pooling work functions. As indicated in Reference Number 30, the overwhelming majority of this group's work is to activate number pooling features through translations in each switch.³⁵ This work group also developed the methods and procedures used by Complex Translations to install

³⁴ AT&T PTR at 5.

³⁵ AT&T argues that Qwest incorrectly includes for recovery costs associated with resolving "trouble conditions" associated with the installation of switch features required for number pooling. AT&T attempts to misconstrue these costs as "repair" or "maintenance" costs that are an "incidental consequence" of number pooling. AT&T is wrong; these trouble conditions had to be resolved in order to turn-up the pooling functionality in each switch. As such, Qwest could have merely stated that complex translators "activate features through translations in each switch" and correctly characterized the primary number pooling work function for Reference Number 30 since "resolving trouble conditions" is implied in this description. Furthermore, Qwest's subject matter experts estimate that less than ten percent of a technician's time is spent resolving trouble conditions.

number pooling on four switch types within Qwest's network and tested the features prior to installation.

In Transmittal No. 134, Qwest did not change the annual costs associated with this work function other than to extend the recovery period of costs through July of 2004 rather than through March of 2004. As previously indicated, however, Qwest is seeking to revise this filing to only recover costs through March, 2004. Accordingly, there will be no changes associated with this work function.

Second, Qwest reduced the costs in Reference Number 33 by \$1,894,768 to remove costs associated with number administration. AT&T continues to assert that Qwest has made this reduction without explanation as to how it separated out the costs. In Workpaper 1, however, Qwest specified that time spent on number pooling efforts have been separated from time spent on other mandates based on time estimates provided by group supervisors/subject matter experts and that only the costs identified for the provision of number pooling have been included for recovery.³⁶

AT&T also challenges whether Qwest may recover costs incurred in the year 2000.³⁷ The Commission's orders, however, clearly support the recovery of costs that were incurred in the advance of actual implementation. Indeed, recognizing that carriers might incur number pooling

³⁶ It is reasonable that number pooling costs incurred by the Number Software Administration Center (NSAC) for block identification, protection, validation, donation and receipt would be higher than costs incurred for preparing the bi-annual utilization report. The bi-annual utilization report provides a "snap-shot" of Qwest's numbering inventory at the time the report is prepared. Conversely, block identification, protection, validation, donation and receipt is an ongoing "real-time" process that requires significantly more resources to validate that service is not disconnected to end users at the time the block is donated to the industry pool. As Qwest notes in Workpaper 1a, but AT&T ignores, this work effort is primarily a manual process.

³⁷ AT&T PTR at 6.

costs in a given state jurisdiction prior to implementation on the federal level, the Commission directed carriers to assign “advancement costs” to state jurisdictions when number pooling costs were incurred prior to national implementation.³⁸ This is precisely what Qwest did. Qwest also notes that seven states in Qwest’s territory received delegated authority from the Commission in July of 2000 to order pooling trials in advance of national rollout. These states are Arizona, Colorado, Iowa, Nebraska, Oregon, Utah, and Washington.³⁹ The simple truth is that in order to meet its obligations, Qwest had to begin making modifications and plans in advance of the Commission issuing its designation of an administrator.

Third, with respect to Reference Number 28, AT&T speculates that because the project management team will participate in internal audits of Qwest’s number pooling processes this means that the project management team will likely examine numbering processes in general and should therefore be disallowed.⁴⁰ This is not the case. In Transmittal No. 134 Qwest did not include costs that supported other “number administration mandates.”⁴¹ In Transmittal No. 120, Reference Number 34 is responsible for auditing Qwest’s general numbering practices. In Transmittal No. 134, the Project Management Team (Reference Number 28), is responsible only

³⁸ *Third Report and Order*, 17 FCC Rcd. at 266-67 ¶ 29.

³⁹ *In the Matter of Numbering Resource Optimization, Order*, 15 FCC Rcd. 23371 (2000). In addition, Minnesota was granted delegated authority by the FCC to implement a number pooling trial in advance of the national roll-out in March of 2001. *See In the Matter of Numbering Resource Optimization, Order*, 16 FCC Rcd. 5474 (2001).

⁴⁰ AT&T PTR at 7-8.

⁴¹ Specifically, Qwest does not include in Transmittal No. 134: Reference Number 34 (“Number Reservation, Reporting, and Auditing”), Reference Number 35 (“Interim Reporting and Analysis”), a portion of Reference Number 29 (“Number Administration Specialist”), and a portion of Reference Number 33 (“Number Preparation, Analysis and Correction”). (*See* Workpaper 1a, Transmittal No. 120.)

for audits of Qwest's number pooling processes. Qwest did not include the costs for Reference Number 34 in Transmittal No. 134.

D. OSS Costs

Contrary to AT&T's claim, Qwest did not "add[] new OSS projects that . . . were not even considered for recovery two months ago" or "shift[] costs from deleted projects to those that remain."⁴² Rather, Qwest removed projects, or portions of projects, that supported numbering mandates other than number pooling and renumbered projects to account for the removals, but did not add any new "projects" to Transmittal No. 134. In addition, some titles and descriptions were modified to correctly reflect the removals. The removals made by Qwest in Transmittal No. 134 resulted in a decrease in IT costs of \$4,090,000 from the Direct Case.

Specifically AT&T cites Project No. 1 (TN Validation) as an example of misbehavior by Qwest, alleging that Qwest removed Project No. 58 (Donated Block Ad-Hoc Reports) from Transmittal No. 134 and attempted to disguise and recover the costs in Project No. 1 (TN Validation).⁴³ In actuality, Qwest voluntarily removed the full cost of Project No. 58 since it was arguably a cost incurred that was only incidental to number pooling. Qwest has made no attempt to recover the costs associated with this project in Transmittal No. 134.

Furthermore, in Transmittal No. 120, Project No. 1 (TN Validation) is actually a sub-piece of Project No. 3 (TN Viewing Utility). Specifically, TN Validation is the portion of the project that will automate processes that support the donation of thousands-block to the industry pool. Without this enhancement, Qwest would have to rely on manual processes for performing

⁴² AT&T PTR at 9.

⁴³ *Id.*

this work function.⁴⁴ The remainder of Project No. 3 was deleted from recovery because it supported other numbering mandates. Therefore, this modification resulted in Qwest not including \$3,501,900 in Transmittal No. 134.⁴⁵

With respect to management team costs, AT&T continues to assert that Qwest is double-recovering many of its OSS costs or attempting to recover “new” costs. AT&T is mistaken. There is no overlap between these projects; they are mutually exclusive. In the interest of providing the Commission with as much detail as possible, Qwest may have given the false impression that the same work was being accounted for under multiple projects. Specifically, AT&T challenges Project No. 15 (Management Team, Use of Pooled Numbers), and Project No. 20 (Management Team, Telcordia Consultant). These projects, along with Project No. 22 (Due Diligence) and Project No. 23 (Management Team), could have been lumped together under “Management/Architecture Team,” but Qwest kept them separate since they are tracked separately internally.⁴⁶

Lastly, AT&T asserts that Qwest has increased the cost to modify systems to turn-up EXK and POOL FID in the service order flow for the provision of routing numbers and mentions

⁴⁴ This enhancement will be made available to Qwest’s NSAC in 2002. Reference Number 33 in Workpapers 1 and 1a reflect a reduced headcount to account for the efficiency gained from this modification.

⁴⁵ \$4,214,850 (Project 3, Workpaper 2, Transmittal No. 120) - \$712,950 (Project No. 1, Workpaper 2, Transmittal No. 120) = \$3,501,900.

⁴⁶ Project No. 22 is the overall high-level analysis of all of Qwest’s OSSs to identify systems that would require enhancements for the provision of number pooling. Project No. 15 is the lower-level analysis and architecture design work necessary to turn-up EXK and POOL FID in the service order flow to facilitate the proper routing of calls to pooled numbers. Project No. 23 is the lower-level analysis and architecture design work necessary for all other systems except for those provided by Telcordia. Project No. 20 is responsible for work associated with the provision of Telcordia-provided deliverables. In retrospect, Qwest might have minimized confusion if it would have provided slightly less-detailed descriptions of its OSS efforts.

that the cost associated with this effort increased from \$615,000 to \$727,000.⁴⁷ Qwest cannot determine how AT&T reached these figures. Qwest demonstrated that the total cost of Project Numbers 3 through 14 is \$632,450. In its Direct Case, Qwest calculated the total for these same projects to be \$616,200. Qwest calculates the net changes to these projects to be \$16,250, but with the revision to this filing to only recover costs through March 2004, the net result should be a decrease in costs. Specifically, a \$17,050 change was originally made to Projects 3 through 14 to extend the recovery period from the first of April 2004 through July 2004, but this increase will be eliminated by limiting the end of the recovery period to March 2004. Qwest also reviewed its IT costs and trued-up its actual/estimated costs for 2002 since more financial data was available for the time period between March 18, 2002, the date Transmittal No. 120 was first filed, and July 22, 2002, the date Transmittal No. 134 was filed.⁴⁸ Only Project No. 8 (Auto-Population SOLAR) experienced a change since the actual cost was \$800 less than the estimated cost for this period. Accordingly, \$800 was removed from this project in 2002.

V. CONTRARY TO AT&T'S ASSERTIONS, QWEST HAS PROPERLY ACCOUNTED FOR ALL NUMBER POOLING COST SAVINGS IN CALCULATING ITS EXOGENOUS COST ADJUSTMENT

AT&T asserts that Qwest has failed to make a “credible” showing that its number pooling implementation costs exceed cost savings from delaying area code relief.⁴⁹ Qwest disagrees. Qwest has provided a detailed break down of its cost savings in Transmittal No. 134.⁵⁰ Not only

⁴⁷ See AT&T PTR at 9-10. Again, Qwest could have lumped all of these projects together into a single “Auto-Population” Project but opted for providing more detail.

⁴⁸ This allowed Qwest to replace over four months of “estimated” costs with “actual” costs.

⁴⁹ AT&T PTR at 11.

⁵⁰ However, as Qwest stated in its Direct Case in support of Transmittal No. 120, “it has not included any cost savings associated with delaying the exhaust of the NANP. Any estimate of such savings would be pure speculation. Furthermore, if the industry were faced with the costs of

has Qwest provided an explanation of its methodology for calculating savings from delaying area code relief using a five year timeframe,⁵¹ it has also broken down these cost savings by NPA.⁵² Qwest based its cost savings on the number of switches serving an NPA and the type of relief likely to be recommended by a state commission (*i.e.*, based on past area code relief projects and geography).⁵³ As such, there is no merit to AT&T's claim and it should be rejected.

VI. QWEST'S INCLUSION OF EXOGENOUS COST RECOVERY UNTIL AUGUST 2002 NEITHER VIOLATES THE COMMISSION'S TARIFF RULES NOR ITS NUMBER POOLING ORDERS

Once again AT&T asserts that it is improper for LECs, such as Qwest, to recover number pooling costs that were incurred before a date certain. In opposing Transmittal No. 120, AT&T claimed that the Commission's number pooling orders prohibit LECs from recovering number pooling costs incurred before March 15, 2002, the date of the commencement of the national roll-out.⁵⁴ Now AT&T contends that it is improper for Qwest to recover costs incurred before June

implementing a replacement for NANP, all price cap carriers would assert, and rightfully so, that any such expenditures qualified for exogenous treatment under the Commission's price cap rules." Qwest Direct Case at note 30.

⁵¹ See Trans. No. 134, D&J at 18-19 and Charts 3a and 3b.

⁵² *Id.* at Charts 4b-4l.

⁵³ As noted in Qwest's Direct Case in support of Transmittal No. 120, Qwest has not tracked the direct cost of previous area code relief projects. *See* Qwest Direct Case at 11. Qwest's network planners estimated future savings from delaying area code relief by closely examining both capital and expense costs associated with a recent NPA split, the 928 NPA in Arizona. Qwest's network planners also estimated what the cost would have been if an overlay had been ordered for the 928 NPA rather than a split. The primary cost differences between a split and an overlay are additional IT systems work and Automatic Number Identification ("ANI") and Message Delivery Service Interswitch ("MDSI") conversions.

⁵⁴ Petition of AT&T Corp. to reject BellSouth Telecommunications' Transmittal No. 623 and Qwest Corporation's Transmittal No. 120, filed Mar. 25, 2002 at 7-8.

18, 2001, the date the National Thousands-Block Pooling Administrator was appointed.⁵⁵ In the alternative, AT&T asserts that the “absolute earliest date” for cost recovery should be July 17, 2000, the effective date of the *First Numbering Resource Optimization Order*.⁵⁶ AT&T’s claims find no support in the Commission’s numbering orders. In fact, a review of the Commission’s orders lead to exactly the opposite conclusion. That is, the Commission recognized that carriers might incur number pooling costs in a given state jurisdiction in advance of implementation on the federal level and that most of costs incurred would not be state specific.⁵⁷ The Commission directed carriers to assign “advancement costs” to state jurisdictions when number pooling costs were incurred prior to national implementation.⁵⁸ This is exactly what Qwest did in preparing Transmittal No. 134. Therefore, AT&T’s position should be rejected as meritless and contrary to the Commission’s number pooling orders.

⁵⁵ See AT&T’s Opposition to Qwest’s Direct Case at 18-23, which AT&T incorporated by reference.

⁵⁶ *Id.* at 23.

⁵⁷ *Third Report and Order*, 17 FCC Rcd. at 266 ¶ 29.

⁵⁸ “In other words, carrier-specific costs directly related to number pooling that are incurred for national implementation of thousands-block number pooling should be recoverable through the federal mechanism, but any costs attributable to advance deployment at the state level will be subject to state recovery mechanisms.” *Id.*

VII. CONCLUSION

As demonstrated herein, Qwest's revised number pooling costs are just and reasonable.

Therefore, Transmittal No. 134 should be allowed to take effect as filed.

Respectfully submitted,

QWEST CORPORATION

By: Blair A. Rosenthal
Sharon J. Devine
Blair A. Rosenthal
Suite 700
1020 19th Street, N.W.
Washington, DC 20036
(303) 672-2974

Its Attorneys

August 2, 2002

CERTIFICATE OF SERVICE

I, Richard Grozier, do hereby certify that I have caused the foregoing **REPLY TO PETITION TO SUSPEND OR REJECT** to be (1) filed with the FCC via its Electronic Tariff Filing System; (2) served via email on the persons/entity denoted with an asterisk (*); and (3) served via facsimile and United States First Class Mail, postage prepaid, where noted.

/s/ Richard Grozier
Richard Grozier

August 2, 2002

*Andrew Mulitz
Federal Communications Commission
Pricing Policy Division
Wireline Competition Bureau

Via email amulitz@fcc.gov

Sara F. Leibman
Angela F. Collins
Mintz, Levin, Cohn, Ferris,
Glovsky and Popeo, PC
Suite 900
701 Pennsylvania Avenue, N.W.
Washington, DC 20004
via United States mail
via Facsimile (202) 434-7400

*Qualex International
Portals II
Room CY-A257
445 12th Street, S.W.
Washington, DC 20554

via email Qualexint@aol.com

Stephen C. Garavito
AT&T Corp.
Room 1131M1
295 North Maple Avenue
Basking Ridge, NJ 07920

via United States mail
via Facsimile (908) 630-3424